

AMENDED IN ASSEMBLY MARCH 25, 2010

CALIFORNIA LEGISLATURE—2009—10 REGULAR SESSION

ASSEMBLY BILL

No. 1856

Introduced by Assembly Member Fong

February 12, 2010

An act to amend Section ~~21032~~ 21050 of the Government Code, relating to public employees' retirement.

LEGISLATIVE COUNSEL'S DIGEST

AB 1856, as amended, Fong. Public employees' retirement.

The Public Employees' Retirement Law provides a comprehensive set of rights and benefits based upon age, service credit, and final compensation. Under the Public Employees' Retirement Law, members may elect to receive service credit for various types of public service, and this election is effective only if an appropriate payment, or authorization for payment, of the contributions and interest required for the credit is made. *That law calculates retirement benefits in part based on years of creditable service and authorizes a member to receive additional service credits, as specified.*

~~This bill would make a technical, nonsubstantive change to these provisions:~~

This bill would authorize a member authorized to pay for credit for service in after-tax installments to elect in writing, including by verified electronic transaction, at any time prior to retirement, to suspend after-tax installment payments for a period not to exceed 12 months or to prospectively cancel payment of the remaining unpaid balance for those installment payments, as specified. The bill would require that installment payments automatically resume at the end of the suspension period, or earlier if requested by the member. The bill would prohibit

an additional suspension of those installment payments for the same service for 3 years following the resumption of installment payments. The bill would require that the balance due at the end of a suspension period be recalculated to include interest accrued during the suspension.

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~ yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 *SECTION 1. Section 21050 of the Government Code is*
2 *amended to read:*

3 21050. (a) An election by a member to receive credit for
4 service under this part, in addition to his or her current and prior
5 service credit, shall be effective only if accompanied by a
6 lump-sum payment or an authorization for payments, other than
7 a lump-sum payment, in accordance with regulations of the board.

8 (b) If a member electing to receive credit for service under this
9 part is authorized to pay for that service in installment payments
10 beginning on or after January 1, 2004, the amount of the installment
11 payments shall include an actuarial adjustment, as determined by
12 the chief actuary, as necessary to take into account the provisions
13 of Section 21037. The amount of the actuarial adjustment may not
14 exceed one-half of 1 percent of the total installment payment.

15 (c) (1) *A member authorized to pay for credit for service in*
16 *after-tax installments may elect in writing, including by verified*
17 *electronic transaction, at any time prior to retirement, to suspend*
18 *after-tax installment payments for a period not to exceed 12*
19 *months. Installment payments shall automatically resume at the*
20 *end of the suspension period, or earlier if requested by the member.*
21 *A member may not elect an additional suspension of those*
22 *installment payments for the same service for three years following*
23 *the resumption of installment payments.*

24 (2) *The balance due at the end of a suspension period shall be*
25 *recalculated to include interest accrued during the suspension.*

26 (3) *A member who retires during the suspension period may,*
27 *prior to retirement, do either of the following:*

28 (A) *Make a lump sum payment for the recalculated balance due.*

29 (B) *Cancel installment payments in the manner specified in*
30 *subdivision (d).*

1 (4) *Failure by a member to make the lump sum payment or the*
2 *election to cancel installment payments, will result in the*
3 *resumption of installment payments as of his or her date of*
4 *retirement.*

5 (d) *A member authorized to pay for credit for service in after-tax*
6 *installments may elect in writing, including verified electronic*
7 *transaction, at any time prior to retirement, to prospectively cancel*
8 *payment of the remaining unpaid balance for those installment*
9 *payments.*

10 (1) *An election shall be effective upon the earlier of the*
11 *member's retirement date, or the first day of the month following*
12 *approval by the system of the election.*

13 (2) *Service credited to the member's account will be reduced*
14 *in proportion to the balance of the total amount remaining unpaid*
15 *on the effective date of the cancellation. If the member elects to*
16 *cancel during or at the end of a suspension period, the balance*
17 *shall include any interest accrued and unpaid during the*
18 *suspension period.*

19 (3) *Installment payments may not be cancelled for any of the*
20 *following:*

21 (A) *Contribution or service credit adjustments required by law*
22 *or agreement.*

23 (B) *A tier election pursuant to Article 2 (commencing with*
24 *Section 21070) of Chapter 12 of Part 3 of Division 5 of Title 2.*

25 (C) *The purchase of service credit subject to a community*
26 *property division by way of court judgment, domestic relations or*
27 *other court order or settlement agreement.*

28 (e) *If a member who has not elected to suspend installment*
29 *payments pursuant to subdivision (c) fails to make after-tax*
30 *installment payments when due for a period of 12 months, the*
31 *board may cancel the remaining unpaid balance in the same*
32 *manner and with the same effect as if the member had elected to*
33 *cancel his or her installment payments pursuant to subdivision*
34 *(d).*

35 (f) *At any time prior to retirement, a member may elect to*
36 *purchase that portion of the service credit not credited to his or*
37 *her account as a result of a cancellation executed pursuant to*
38 *subdivision (d) or (e). A member who elects to purchase that*
39 *service credit shall make the contributions as specified in Section*
40 *21052.*

1 ~~SECTION 1. Section 21032 of the Government Code is~~
2 ~~amended to read:~~
3 ~~21032. A member may elect at any time prior to retirement, in~~
4 ~~accordance with regulations of the board, to receive credit for~~
5 ~~public service, under any of the definitions in this article, in~~
6 ~~addition to his or her current and prior service credit. An election~~
7 ~~shall be effective only if accompanied by a lump-sum payment of~~
8 ~~the contributions and interest required for the credit or by~~
9 ~~authorization for immediate institution of payroll deduction of~~
10 ~~installment payment of the contributions and interest. The right of~~
11 ~~election is subject to Sections 20894 and 20961, and shall be~~
12 ~~ineffective with respect to any time or employment for which the~~
13 ~~member subsequently becomes entitled to or eligible to elect to~~
14 ~~receive service credit in another system supported in whole or in~~
15 ~~part from public funds, in which case the accumulated contributions~~
16 ~~on deposit for the period of service credit shall be paid to the~~
17 ~~member.~~